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REVIEW OF THE IMPLEMENTATION OF COMMITMENTS AND OF OTHER PROVISIONS OF THE CONVENTION

FINANCIAL MECHANISM

REPORT OF THE GLOBAL ENVIRONMENT FACILITY

Note by the secretariat

1. The Conference of the Parties (COP), by its decision 12/CP.2,[1] adopted and thereby brought into force a Memorandum of Understanding (MOU) between the COP and the Council of the Global Environment Facility (GEF).[2] The MOU provides, inter alia, that annual reports of the GEF be made available to the COP through the secretariat.

2. In response to that provision, the GEF secretariat has submitted the attached report dated 23 August 2002; it is reproduced here without formal editing.

3. The MOU further provides that, in accordance with Article 11, paragraph 1, of the Convention, the COP will, after each of its sessions, communicate to the GEF any policy guidance approved concerning the financial mechanism.

[1] FCCC/CP/1996/15/Add.1.
[2] FCCC/CP/1995/7/Add.1.

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Global Environment Facility

GEF

Annex

August 23, 2002

REPORT OF THE GEF TO THE EIGHTH SESSION OF THE CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Table of Contents

I. **Introduction** 5

II. **Project Activities in the Climate Change Area** 5

Project Financing in the Climate Change Area (July 2001 - May 2002) 6

III. **Implementation of Convention Guidance** 6

LDC fund and other new funds 7

The Least Developed Countries Fund 8

Transfer of technology 9

Capacity Building 10

National capacity needs self assessments (NCSAs) 11

GEF support for public awareness and education in the climate change focal area 11

Adaptation 12

GEF support for adaptation under the climate change focal area 12

GEF support for adaptation under other focal areas 14

Development of GEF Adaptation Strategy 14

Further streamlining the GEF project cycle 15

IV. **Highlights of Other Relevant Activities** 15

V. **GEF Monitoring and Evaluation Activities** 16

Project Performance Report 2001 17

Second Study of GEF's Overall Performance 18

Evaluation of the Medium-sized Projects 18

Annex A: List of Reports Previously submitted by the GEF Council to the Conference of the Parties to the UNFCCC 20

Annex B: Tables of Projects Approved in the Area of Climate Change (July 2001- May 2002) 21

Annex C: Brief Description of Projects approved during the reporting period 27

I. INTRODUCTION

1. The Memorandum of Understanding Between the Conference of the Parties to the United Nations Framework Convention on Climate Change and the Council of the Global Environment Facility [3] provides that the GEF will report to the Conference of the Parties on all GEF-financed activities carried out in implementing the Convention.

2. This report has been prepared for the eighth session of the Conference of the Parties to the UN Framework Convention on Climate Change. It covers the period from July 1, 2001, to May 31, 2002. This report describes GEF activities approved by the Council during the reporting period in the areas covered by the Convention. For reference, a list of reports previously provided by the GEF Council to the Conference of the Parties is included in the Annex A. These reports contain information on GEF activities in prior years.

3. The Parties' attention is also drawn to the following GEF publications and documents which the GEF will make available to the eighth session of the Conference of the Parties to supplement the information contained in this report:

(a) *The First Decade of the GEF, Second Overall Performance Study* (available in Arabic, Chinese, English, French, Russian and Spanish). The CEO and Chairman of the GEF will forward the document to the Conference of the Parties through the Executive Secretary of the Convention;

(b) *GEF Annual Report 2001, Investments for the 21st Century* (available in English, French, and Spanish);

(c) *Operational Report on GEF Programs*, June 2002 (available in English);[4] *Project Performance Report 2001* (available in English, French, and Spanish);

(d) *Arrangements for the Establishment of the New Climate Change Funds;*

(e) *Operational Guidelines for Expedited Funding for the Preparation of National Adaptation Programs of Action by Least Developed Countries* (available in English, French and Spanish); and

(f) *Operational Guidelines for Expedited Funding of National Self Assessments of Capacity Building Needs* (available in English, French and Spanish).

II. PROJECT ACTIVITIES IN THE CLIMATE CHANGE AREA

4. The GEF, as the financial mechanism of the Convention, provides financing for activities consistent with the policies and program priorities established by the Conference of the Parties to the financial mechanism. Upon countries' requests, the GEF supports projects identified in their national communications consistent with the guidance received from the Conference of the Parties. GEF-financed projects are managed through its three Implementing Agencies: UNDP, UNEP and the World Bank. In the reporting period, the following GEF financing was allocated for project activities in the climate change area.

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[3] See Decision 12/CP.2 (FCCC/CP/1996/15/Add.1), *Memorandum of Understanding between the Conference of the Parties and the Council of the Global Environment Facility* and Decision on Agenda Item 11, *Joint Summary of the Chairs of the GEF Council Meeting*, April/May 1997.

[4] This report provides a listing of projects approved in the climate change area as well as a financial report with an indication of the financial resources required for those projects.

Project Financing in the Climate Change Area (July 2001 - May 2002)

Type of activity	Number of activities	GEF financing (in US$ millions)	Co-financing (in US$ millions)	Total financing (in US$ millions)
Medium/Full projects	28	129.14	764.89	894.03
Enabling activities	17	2.98		2.98
Project preparation	14	4.52		4.52
Total	59	**136.64**	**764.89**	**901.53**

5. As indicated in the above table, the GEF allocation during the reporting period in the area of climate change was US$136.64 million in grant financing out of total project costs of US$ 901.53 million. Approximately US$765 million was leveraged in co-financing for the project activities from the Implementing Agencies, bilateral agencies, recipient countries, and the private sector.

6. Since the establishment of the GEF as a pilot program in 1991, the GEF has provided approximately US$1.5 billion in grants for climate change projects out of a total of US$ 4.2 billion allocated to all focal areas. It has leveraged more than US$ 5 billion in co-financing for climate change projects. A complete listing of GEF project activities in the climate change area is contained in the June 2002 *Operational Report on GEF Programs*, which is available to the eighth session of the Conference of the Parties.

7. Annex B lists 59 projects and projects preparation grants approved by the GEF in the area of climate change during the reporting period. They are divided into three tables:

(a) Table 1 under Annex B lists 28 medium and full-sized climate change projects approved by the GEF during the reporting period. A description of these projects is provided in Annex C;

(b) Seventeen enabling activity projects covering 62 non-Annex I countries have been approved during the reporting period (see Table 2), including one global project to build human and institutional capacities to address climate change issues in 46 least developed countries (LDCs); and

(c) The GEF also provides financing through its Project Preparation and Development Facility to assist recipient countries to develop a project concept into a project proposal. Table 3 lists 14 GEF project preparation activities approved during the reporting period.

III. IMPLEMENTATION OF CONVENTION GUIDANCE

8. Guidance to the financial mechanism concerning policies, program priorities, and eligibility criteria is mainly contained in:

(a) Decision 11/CP.1 (FCCC/CP.1995/7/Add.1) Initial guidance on policies, programme priorities and eligibility criteria to the operating entity or entities of the financial mechanism;

(b) Decision 12/CP.1 (FCCC/CP/1995/7/Add.1) Report of the Global Environment Facility to the Conference of the Parties on the development of an operational strategy and on initial activities in the area of climate change;

(c) Decision 10/CP.2 (FCCC/CP/1996/15/Add.1) Communications from the Parties not included in Annex I to the Convention: guidelines, facilitation and process for consideration;

(d) Decision 11/CP.2 (FCCC/CP/1996/15/Add.1) Guidance to the Global Environment Facility;

(e) Decision 2/CP.4 (FCCC/CP/1998/16/Add.1) Additional guidance to the operating entity of the financial mechanism;

(f) Decision 8/CP. 5 (FCCC/CP/1999/6/Add.1) Financing of Second Communications to the UN Framework Convention on Climate Change;

(g) Decision 10/CP.5 (FCCC/CP/1999/6/Add.1) Capacity-building in developing countries (non-Annex I Parties);

(h) Decision 6/CP.7 (FCCC/CP/2001/13/Add.1) Additional guidance to an operating entity of the financial mechanism; and

(i) Decision 27/CP.7 (FCCC/CP/2001/13/Add.1) Guidance to an entity entrusted with the operation of the financial mechanism of the Convention, for the operation of the least developed countries fund.

9. The GEF reported on steps it has taken to implement the guidance contained in the decisions in its previous reports to the Conference of the Parties (see Annex A). The following GEF activities undertaken during the present reporting period are responsive to earlier guidance as well as guidance contained in decisions 6/CP.7 and 27/CP.7. Major issues reported below include: LDC fund and new funds, transfer of technology, capacity building, adaptation, and further streamlining the GEF project cycle.

10. In addition, the letter from the GEF CEO and Chairman to the Executive Secretary of the Convention submitting the Second Study of GEF's Overall Performance to the eighth session of the Conference of the Parties should be viewed as an additional input to this report. The study raises essential issues, such as how to improve the guidance from the Conference of the Parties and its dialogue with the GEF with a view to applying more strategic approaches at national, regional, and global levels to support the implementation of the Convention.

LDC fund and other new funds

11. At its seventh session, the Conference of the Parties requested the GEF, as the financial mechanism of the Convention to operate two new funds related to the Convention (the Special Climate Change Fund and the Least Developed Countries Fund[5]) as well a new fund related to the Kyoto Protocol (the Adaptation Fund[6]).

12. At the GEF Council meeting in December 2001, the Council, having reviewed the decisions of the seventh session of the UNFCCC:

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[5] Decision 7/CP.7.
[6] Decision 10/CP.7.

(a) requested the GEF Secretariat to prepare, for review and approval at the Council meeting in May 2002, recommendations concerning arrangements necessary for administration of the two new Convention funds under the UNFCCC (the special climate change fund and the least developed countries fund) and proposing how the GEF might most effectively and efficiently implement the new funds, taking into account relevant decisions of the Conference of the Parties to the UNFCCC at its seventh session as well as views expressed by the Council, including written views that may be submitted by Council Members by January 31, 2002; and

(b) requested the GEF Secretariat, in consultation with the Implementing Agencies, to undertake an accelerated process to prepare operational guidelines for expedited funding of the preparation of national adaptation programs of action. The Secretariat was requested to organize a consultation with experts from least developed countries and to circulate operational guidelines with a view to finalizing these guidelines by the end of March 2002 so as to allow funding from the LDC fund to proceed thereafter. It was understood that the availability of resources to finance the preparation of national adaptation programs of action (NAPAs) pursuant to the guidelines is contingent on donor contributions to the LDC fund.

13. At its meeting in May 2002, the Council approved the arrangements proposed by the Secretariat for the establishment of the new funds. These arrangements are described in the paper submitted to the Conference of the Parties entitled, *Arrangements for the Establishment of the New Climate Change Funds*. In approving the arrangements, the Council:

(a) invited the World Bank to act as Trustee for the three new funds;

(b) requested the Secretariat to mobilize resources for the funds based on an assessment of financing needs that takes into account the guidance approved by the Conference of the Parties to the UNFCCC; and

(c) requested the Secretariat to inform the eighth session of the Conference of the Parties to the UNFCCC on the arrangements for the establishment of these funds.

The Least Developed Countries Fund

14. In view of the urgency expressed by the UNFCCC and the GEF Council, the GEF moved speedily to bring the decisions of the seventh session of the Conference of the Parties with regard to NAPAs and the establishment of the LDC fund into operation. After extensive consultations with the GEF Implementing Agencies and the UNFCCC Secretariat, operational guidelines for expedited funding for the preparation of NAPAs were drafted. The draft was discussed with experts from LDCs, other experts, the Implementing Agencies, the UNFCCC Secretariat and UNITAR at a consultation held in Arusha on February 28 and March 1, 2002 at the kind invitation of the Government of Tanzania.

15. On the basis of all these inputs and consultations, Operational guidelines for expedited funding for the preparation of national adaptation programs of action by least developed countries were issued by the CEO and Chairman of the GEF in early April 2002. Under the operational guidelines, country requests for GEF funding up to US$200,000 may be approved using expedited procedure. The operational guidelines outline the few simple steps required to be taken by countries to access funds from the LDC fund for the preparation of NAPAs. The guidelines are sufficiently flexible to allow countries to undertake the preparation of NAPAs in the light of their own particular situations and priorities, while following the broad format adopted by Decision 28/ CP.7. The operational guidelines are available in both English and French.

16. The GEF Secretariat plans to convene a meeting of donors,[7] prior to the eighth session of the Conference of the Parties in October 2002, to solicit voluntary contributions to finance the activities called for in the initial guidance for the Least Developed Countries Fund.

Transfer of technology

17. Decision 4/CP.7 *Development and transfer of technologies* requests GEF financial support to assist countries to implement an agreed framework for meaningful and effective actions to enhance the implementation of Article 4, paragraph 5 of the Convention. The framework describes five basic areas of activity: technology needs assessments; technology information; measures to create "enabling environments" conducive to technology transfer; capacity building; and mechanisms for technology transfer (defined as stakeholder coordination and cooperation to facilitate project development). The decision calls for financial support to be provided from the GEF Trust Fund as well as the special climate change fund.

18. In general the present scope and objectives of the GEF climate change focal area include activities such as those proposed in Decision 4/CP.7. GEF climate projects often address technology needs assessments, information systems, capacity building elements, and mechanisms for technology transfer as defined in the decision. One distinction is that the GEF strategy and operational programs provide support for these activities within the context of broader actions and commitments to reduce greenhouse gas emissions.

19. Almost all GEF projects in the area of climate change provide for some transfer of technologies. A number of publications, such as, *10 cases of Technology Transfer* (available at the GEF web: *www.gefweb.org*), *Renewable energy markets and the Global Environment Facility* (See Financial Times Renewable Energy Report no.12 (February 2000), pp 18-22), and *Promoting Energy Efficiency and Renewable Energy: GEF Climate Change Projects and Impacts* (available at the GEF web: *www.gefweb.org*) , illustrate examples of technology transfer supported by the GEF. Several GEF projects were also described in the *IPCC Special Report on Technology Transfer*.

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[7] In reviewing the arrangements for the two new convention funds and the Kyoto Protocol Adaptation Fund, the Council noted the following preliminary indications regarding funding

(a) At COP 7, Belgium, on behalf of the European Community and its Member States, and also on behalf of Canada, Iceland, New Zealand, Norway and Switzerland, made the following statement concerning financing for climate change related activities: "We reaffirm our strong political commitment to climate change funding for developing countries. We are prepared to contribute US$410 million, which is 450 million Euro, per year by 2005 with this level to be reviewed in 2008. Funding to be counted can include contributions to GEF climate change related activities; bilateral and multilateral funding additional to current levels; funding for the special climate change funds, the Kyoto Protocol Adaptation Fund and the LDC Fund; and funding deriving from the share of proceeds of the clean development mechanism following entry into force of the Kyoto Protocol."

(b) Pending the establishment of the LDC Fund, the Government of Ireland deposited five hundred thousand Irish pounds in an interim holding Trust Fund established with the World Bank. It is expected that once the LDC Trust Fund is established, the Government of Ireland will request the Trustee to transfer these resources to the LDC Fund. and

(c) At COP7, the Government of Canada announced its intention to contribute ten million Canadian Dollars to the LDC Trust Fund. Pending the establishment of the Fund, Canada deposited a first installment of 6.2 million Canadian dollars to an interim holding Trust Fund established by the World Bank. It is expected that once the LDC Trust Fund is established, the Government of Canada will request the Trustee to transfer these resources to the LDC Fund.

20. In addition, several recent GEF projects specifically emphasize technology transfer, such as, UNDP *Assessing Technology Needs project* and UNEP *Technology Transfer Networks project*.[8]

Capacity Building

21. The GEF has followed the Conference of the Parties' deliberations on capacity building carefully, and attempted to keep pace with emerging decisions and guidance. The GEF's Capacity Development Initiative (CDI), concluded in May 2001, echoed the Conference of the Parties' desire to bring capacity building into an identifiable and focused set of activities with clearly stated objectives. The results of the CDI were, at each stage, shared with the Parties to the UNFCCC. The emerging framework for capacity building in decisions of the Conference of the Parties was recognized by the CDI, and its final output maintains the centrality of the Parties' decisions with regard to capacity building for climate change.

22. With regard to the least developed countries (LDC), the GEF responded to a general need expressed by Parties to the UNFCCC during deliberations in the SBI meetings of June 2001 for building the capacities of climate change focal points in LDCs to obtain, handle and exchange data and improve electronic communication with the UNFCCC Secretariat. A global enabling activity proposal, prepared by UNITAR and UNDP, was approved by the CEO and Chairman of the GEF in September 2001 (total GEF financing of US $904,000). The project is nearing completion and has provided information/technology support and training to climate change focal points in LDCs.

23. While the GEF stands ready to respond to the Conference of the Parties' guidance on capacity building, modalities will need to be kept under review in the context of the new convention funds proposed and the relationship between the activities each fund supports. Decisions on capacity building adopted at the seventh session of the Conference of the Parties will be factored into the revised paper on 'Elements of strategic collaboration and a framework for GEF action for capacity building or the global environment' to be presented for Council's consideration in May 2003.

24. Apart from the above mentioned activities, capacity building opportunities continue to be available through regular GEF projects and enabling activities for the preparation of first national communications. Additional GEF funding is available for interim measures for capacity building in priority areas identified by the fifth session of the Conference of the Parties.[9] Recently, funding has also been made available for national self assessments of capacity building needs, as approved by the GEF

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[8] *Global: Assessing Technology Needs* (Implemented by UNDP) This global project will develop a practical methodology to provide input to non-Annex I Parties for assessing technology needs in the context of the UN Framework Convention on Climate Change. The project objectives are to assist countries in analyzing priority technology needs, as a basis for developing a portfolio of Environmentally Sound Technology (EST) projects, and programs to facilitate the transfer of, and access to, the EST and know-how. Although the methodology will focus on technologies for mitigation of greenhouse gas emissions, the project will also draw lessons that could be applied to assessing technology needs for adaptation to climate change. The project will emphasize how technology transfer can be implemented. The GEF financing for this project is US$200,000.

Global: Technology Transfer Networks (Implemented by UNEP). The goal of the project is to connect key public and private sector stakeholders who influence technology transfer within, between and to recipient countries with the view to foster increased market uptake of sustainable alternatives that help to protect the global environment. The project aims to facilitate identification of environmental synergy and implementation of integrated "win/win" solutions by encouraging thorough assessment of cleaner technology options. Major network services to enable fully informed investment, management, and policy decisions will include SustainableAlternatives net (SANET) as an information management, communication and transaction system; a "stand-by" Decision Support Facility (DSF), offering hands-on short term counsel, coaching, and incentives for advanced market assessments and feasibility studies; and Facilitation of Strategic Dialogues & Alliances (SDA) among key stakeholder groups. The GEF financing for the first phase of the project is US$1.28 million.

[9] See Decision 10/CP.5

Council in May 2001. GEF also supports activities aimed at strengthening public awareness and education as part of its support for capacity building in the area of climate change.

National capacity needs self assessments (NCSAs)

25. The primary objective of the assessment by countries of their capacity needs is to identify country level priorities and needs for capacity building to address global environmental issues, in particular biological diversity, climate change, and land degradation, with the aim of catalyzing domestic and/or externally assisted action to meet those needs in a coordinated and planned manner. While these three thematic areas are central to the exercise, it is fully recognized that NCSAs will need to explore the synergies among them, as well as linkages with wider concerns of environmental management and sustainable development.

26. These initial NCSAs are not intended to be definitive and final, and that the identification of needs and priorities is a dynamic process which depends on a number of factors including emerging scientific and technological information, collective decisions through global environmental conventions, and the development of national policy frameworks. It is envisaged that the identification of capacity building needs will remain an ongoing process, beyond the initial NCSA. Countries are encouraged to determine the scope and coverage of the NCSA in this light.

27. NCSA outputs can be a useful and relevant framework for domestic action and external assistance for capacity building. However, NCSAs are neither a precondition for GEF assistance through regular projects and enabling activities, nor a necessary first step before launching capacity building activities in particular sectors. Countries where earlier work has identified capacity building needs may not feel the need to undertake NCSAs at all. It is expected that countries will closely follow the framework for capacity building developed by the COP in undertaking these needs assessments for the climate change focal area.

28. The GEF's *Operational Guidelines for Expedited Funding of National Self Assessment of Capacity Building Needs* were finalized in September 2001. Funds up to US$200,000 per country are available through expedited procedure for undertaking NCSAs. In addition, *A Guide for Self Assessment of Country Capacity Needs for Global Environment Management* has been developed to assist countries as needed.

GEF support for public awareness and education in the climate change focal area

29. Decision 6/CP.7, paragraph 1 (h) calls for "more in-depth public awareness and education activities and community involvement and participation in climate change issues". Public awareness and education activities and community involvement and participation are very important elements of the GEF supported capacity building. Among the 111 enabling activities projects financed by the GEF in the area of climate change, 106 projects have public awareness components. For example, the percentage of public awareness of the enabling activity projects for St Vincent and Grenadines and Suriname reached respectively 35% and 33%, and the average percentage for public awareness is 20% of the total GEF financing for enabling activity projects. Ten of the 14 full sized projects for enabling activities include public awareness components.

30. The following medium and full sized projects have public awareness and education components to which between 9% and 23% of GEF financing is allocated:

(a) Creation and Strengthening of the Capacity for Sustainable Renewable Energy Development in Central America. GEF allocation for this project was US$ 0.75 million;

(b) *Capacity Building for the Adoption and Application of Energy Codes for Buildings*. GEF allocation for this project was US$ 0.50 million;

(c) *Philippines: Capacity Building to Remove Barriers to Renewable Energy Development*. GEF allocation for this project was US$ 5.45 million;

(d) *Romania: Capacity Building for GHG Emission Reduction through Energy Efficiency*. GEF allocation for this project was US$ 2.80 million;

(e) *Sri Lanka: Renewable Energy and Capacity Building*. GEF allocation for this project was US$ 1.15 million; and

(f) *Regional (Europe /CIS Region): Capacity Building for Improving the Quality of Greenhouse Gas Inventories*. GEF allocation for this project was US$ 2.26 million.

Adaptation

31. Decision 6/CP.7 Additional guidance to an operating entity of the financial mechanism and Decision 5/CP.7 Implementation of Article 4, paragraphs 8 and 9, of the Convention (decisions 3/CP.3 and Article 2, paragraph 3, and Article 3, paragraph 14, of the Kyoto Protocol) as well as other decisions adopted at the seventh session of the Conference of the Parties provide additional guidance to the GEF on adaptation to the adverse impacts of climate change.

32. GEF activities related to adaptation can be summarized under the following three categories: a) GEF support for adaptation under the climate change area, b) GEF support for adaptation under other focal areas, and c) development of a GEF Adaptation Strategy.

GEF support for adaptation under the climate change focal area

33. The GEF has provided Non-Annex I Parties with the opportunity to undertake Stage I adaptation activities through its climate change enabling activities aimed at supporting the preparation of national communications. In accordance with Article 4.3 of UNFCCC, funding for enabling activities covers the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12.1 of UNFCCC, which requires each Party to prepare a national communication.

34. To date, 132 countries have received financial support and technical guidance to assist them in preparing their first national communications. Total GEF funding for enabling activities to date is $86.97 million.[10] Some of these funds were used by recipient countries to conduct voluntary vulnerability and adaptation assessments within the context of their national communications.[11] These studies have been carried out using the methodology first set out in the IPCC Technical Guidelines.[12] In some instances, the results of these studies have been reported in the first national communications.

35. Within the context of Stage I adaptation efforts, GEF has also financed two regional enabling activity projects:

(a) *Caribbean Planning for Adaptation to Climate Change* (CPACC), a regional project implemented by the World Bank to support Caribbean countries in preparing to cope with the adverse effects of global climate change – particularly sea level rise – in coastal and marine areas, through vulnerability assessment, adaptation planning, and capacity

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[10] This amount includes regional and global enabling activity projects that cover limited components of first national communications from non-Annex I Parties as well.

[11] In addition, many countries have conducted independent impact studies aimed at the identification of vulnerable regions and sectors, and adaptation options with support from sources such as the U.S. Country Studies Program, the Netherlands, the European Union, and others.

[12] T.R. Carter, M.L. Parry, H. Harasawa, S. Nishioka, IPCC Technical Guidelines for Assessing Climate Change Impacts and Adaptations with a Summary for Policy Makers and a technical Summary. 1994. Department of Geography, University College London, UK and the Center for Global environmental Research, National Institute for Environmental Studies, Japan.

building linked to adaptation planning and national communications. GEF allocation for this project was US$ 6.50 million; and

(b) *Pacific Islands Climate Change Assistance Programme (PICCAP)*, a regional project implemented by UNDP that involves ten Pacific Island countries and aims to strengthen these countries, in terms of training, institutional strengthening and planning and to enable them to meet their reporting obligations under the UNFCCC. Under PICCAP, preliminary vulnerability assessments and adaptation strategies have been prepared for all participant countries. GEF allocation for this project was US $3.44 million.

36. Stage I adaptation is not yet complete because not all countries have fully addressed their objectives. As of May 2002, 82 countries have formally submitted their national communications to the UNFCCC, and 79 of these communications were prepared with GEF funds. Many non-Annex I Parties have not completed their analysis of vulnerability. Only a few have identified policy options for adaptation. Work on Stage I adaptation will continue where needed, particularly to ensure that assessments of vulnerability address all potentially significantly vulnerable sectors and regions.

37. The GEF has also provided funding for Stage II activities in response to country requests. To date, six projects have been approved.[13] These projects with Stage II adaptation activities are also being funded as climate change enabling activities within the context of national communications, and, therefore the GEF is providing funds for these projects based on the agreed full cost principle. The six projects are:

(a) *Assessments of Impacts of and Adaptation to Climate Change in Multiple Regions and Sectors* (AIACC), a global project implemented by UNEP to support scientific assessment of climate change impacts and adaptation options for the most vulnerable regions and sectors in developing countries. GEF allocation to this project was US$7.50 million.

(b) *Capacity Building for Stage II Adaptation to Climate Change in Central America*, a regional project implemented by UNDP to develop an adaptation policy framework and to prepare national adaptation strategies for priority sectors that can be integrated into sustainable development plans of the participating countries. The outputs of the project, Stage II adaptation strategies, may be used for preparing second national communications. GEF allocation to this project was $3.32 million.

(c) *Mainstreaming Adaptation to Climate Change in the Caribbean* (MACC), a regional project implemented by the World Bank to build on the experiences of CPACC and enhance capacity in the CARICOM Small Island Developing States to develop Stage II adaptation strategies and measures. GEF allocation to this project was $5.35 million.

(d) *China: Targeted Research Related to Climate Change*, an enabling activity implemented by UNDP, which has components that aim to strengthen and develop capacity and obtain results on vulnerability of and adaptation options for key sectors. This project will also develop adaptation strategies and facilitate improved quality of policy-related steps in future national communications. GEF allocation for this project was $1.72 million.

(e) *Preparation of Uruguay's Second National Communication to the UNFCCC*, an enabling activity implemented by UNDP, that assists Uruguay in undertaking the third national inventory and preparing its second national communication. One of the

[13] A related enabling activity project is the *Capacity Building for Observation Systems for Climate Change (Pacific and Africa)* project which aims to contribute to the reporting of systematic observation and research needs in the context of non-Annex I National Communications on a voluntary basis and to identify priority capacity-building needs related to participation in systematic observation. GEF allocation for this project was $1.5 million.

components of the project is to establish a program of general measures for mitigation and adaptation. GEF allocation for this project was $0.60 million.

(f) *Argentina: Enabling Activity for Second Communication to the Convention on Climate Change*, a climate change enabling activity that is implemented by the World Bank. This project has a component to assess vulnerability and adaptation options for key ecosystems and agricultural regions in Argentina. Proposed GEF allocation for this project is $1.14 million.

GEF support for adaptation under other focal areas

38. The GEF has also provided funds to adaptation related activities through projects that focus on biodiversity, land degradation and international waters. These projects illustrate the multi-disciplinary and cross-cutting nature of efforts to address the impacts of climate change. They also demonstrate how the GEF can use a multi-focal area approach to support adaptation activities that provide global environmental benefits.

39. One example of such funding is the project entitled, *Climate, Water and Agriculture: Impacts on and Adaptation of Agro-Ecological Systems in Africa*. This targeted research project aims to develop multiple analytical methods and procedures for assessing the impact of climate change on agriculture in Africa, to estimate how climate affects the current agricultural system, and to project how climate change might affect this system in the future. This project intends to address methodological issues and develop suitable plans for adaptation, working closely with policy makers. GEF allocation to this project was $0.70 million.

40. Similarly, a global International Waters targeted research project, *Effects of Localized Anthropogenic Stress and Compounding Impacts of Climate Change on the Sustainability of Coral Reef Ecosystems and the Implications for Management* under *Integrated Land and Water Multiple Focal Area Operational Program*, has recently entered the GEF pipeline.

Development of GEF Adaptation Strategy

41. In addition to providing funds to adaptation projects, the GEF is currently preparing a comprehensive Adaptation Strategy that addresses the guidance provided by the Conference of the Parties to the GEF on adaptation. The goal of this paper is to identify elements of and options for a comprehensive framework for GEF to support adaptation related activities in accordance with its mandate to support projects that produce global environmental benefits within the context of sustainable development efforts in developing countries. In order to provide scientific guidance to the preparation of this strategy, the GEF Scientific and Technical Advisory Panel (STAP) held an Expert Group Workshop on Adaptation to Climate Change in February 2002 in Nairobi, Kenya (see paragraphs 50-52 below). The recommendations of the STAP workshop will be taken into account in developing the strategy.[14] The proposed strategy will be prepared in consultation with the Implementing Agencies, and other relevant stakeholders, and will be presented to the GEF Council. The strategy will also be made available to the Conference of the Parties.

42. The Conference of the Parties at its seventh session has also requested the GEF to operate and manage three new climate change funds all of which have provisions to provide support to adaptation activities in least developed as well as developing countries (see paragraphs 11-16 above).

[14] GEF/C.19/Inf.12 Report of the STAP Expert Group Workshop on Adaptation, 18-20 Feb. 2002, Nairobi, Kenya

Further streamlining the GEF project cycle

43. Decision 6/CP.7 *Additional guidance to an operating entity of the financial mechanism* "invites the GEF to continue to minimize the time between the approval of project concepts, the development and approval of related projects, and disbursement of funds by its implementing/executing agencies to the recipient countries of those projects."

44. Issues raised by the GEF project cycle have been reviewed by the Second Study of GEF's Overall Performance(OPS2). Factors contributing to the time necessary to process proposals identified by the OPS2 team, include:

(a) variations in the capacities of the UNDP and the World Bank country offices to initiate and facilitate projects;

(b) delays in obtaining endorsements from national operational focal points for NGO-executed projects;

(c) the involvement of new and inexperienced country partners that require more extensive inputs from the Implementing Agency to enable them to navigate through GEF program priorities and operational procedures;

(d) unclear and sometimes conflicting technical reviews from different sources in the Implementing Agencies and the GEF Secretariat that have added considerably to processing time;

(e) adjustments in legal, procurement, and disbursement procedures of the Implementing Agencies to fit smaller projects in remote locations.

45. In addition to previous efforts to expedite GEF project procedures, the GEF and its Implementing Agencies are preparing further follow-up measures to respond to the guidance of the Conference of the Parties and policy recommendations made by the OPS 2 team. Relevant issues may also be considered in the context of the second review of the financial mechanism to be undertaken by the Convention.

IV. HIGHLIGHTS OF OTHER RELEVANT ACTIVITIES

46. During the reporting period, the GEF has also undertaken the following activities which are of relevance to its climate change portfolio:

(a) Roundtable on Sustainable Energy[15]

47. About two dozen experts from around the world participated in the GEF Roundtable on Sustainable Energy in January 2002. Chaired by Professor José Goldemberg, the roundtable offered a vision and set of actions to promote clean energy for sustainable development. Participants included representatives of developed and developing country governments, private businesses, nongovernmental organizations, and multilateral agencies. The roundtable was one of four sponsored by the GEF to address critical environmental and sustainable development issues as a contribution to the World Summit on Sustainable Development (WSSD). Each roundtable was held in conjunction with a WSSD preparatory meeting. Recommendations from the roundtables are being fully integrated into the summit process.

48. The discussions focused on progress toward a transition to "clean energy"- secure and reliable energy supplies that are environmentally benign and affordable to the rural poor. The panel reached a clear consensus that energy must be brought to the forefront of the WSSD process. Progress on

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[15] See *GEF Roundtable on Sustainable Energy January 30, 2002 Chairman's Summary* at www.gefweb.org What's New

sustainable development is not possible without efforts to address energy, particularly from the perspective of rural development, human health, and reduced energy expenditures and dependence. If the above-proposed priorities and actions are to be effectively addressed, energy and finance ministers will need to be engaged in the WSSD process. Equally important, agriculture, health, education, water, and rural development officials must recognize the need to integrate energy into their policies and agendas.

49. The panelists also identified priorities for incorporating clean energy into sustainable development and made concrete recommendations concerning the mechanisms, institutions, and partnerships that should be included in the WSSD program of action. The recommendations of the roundtable have been broadly shared at the third and fourth WSSD Preparatory Committee Meetings, respectively in New York and Bali, Indonesia.

(b) STAP Expert Group Workshop on Adaptation and Vulnerability [16]

50. A STAP Expert Group Workshop on Adaptation and Vulnerability was convened at UNEP Headquarters, Nairobi, Kenya from February 18-20, 2002. Adaptation is recognized as an integral part of the response to the impact of climate change. It is a process that needs to be incorporated in overall development planning, including the design and implementation of projects and programmes across all sectors.

51. The workshop found that notwithstanding the importance of adaptation, numerous scientific and technical gaps still remain. These include uncertainties with climate change and the artificial distinction between climate variability and change; inadequate awareness and knowledge on adaptation at the policy and decision-making levels; weaknesses in institutional capacity development; data and lack of scenarios development at the national and regional levels.

52. Key elements which could form the basis of a GEF Adaptation Strategy were considered. The issue of a new direction for adaptation assessment was highlighted, a shift from the "Scenario—Based" Approach to one of "Risk Assessment". A number of principles were outlined which could guide the evaluation of the Adaptation Strategy as well as the challenges which must be addressed in designing an effective Adaptation Strategy.

(c) STAP Brainstorming on Transport[17]

53. The GEF transport portfolio (Operation Program, OP#11) is currently dominated by technology-oriented options. Major initiatives promoting fuel cell technology and electric/hybrid vehicles have been launched. A number of the full projects in OP#11 are promoting either fuel cells or hybrid electric vehicles. STAP has suggested to increase GEF initiatives aimed at promoting non-technology options that can lead to significant modal shifts to more efficient and less polluting forms of public and freight city transport (i.e. from personal motorized transport to mass transit, buses, bicycles and walking).

54. The STAP Brainstorming on Transport was convened in Nairobi, Kenya from March 25-26, 2002. The aim of the session was to recommend a set of non-technology priority options that could constitute one of the key themes of the evolving GEF transport portfolio. Emphasis was placed on options that have demonstrated verifiable successes and that are suitable for deployment in developing countries.

V. GEF MONITORING AND EVALUATION ACTIVITIES

55. During the reporting period, the GEF published the *Project Performance Report 2001*. In view of the third replenishment and the second Assembly of the GEF in 2001-2002, a fully independent team

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[16] See GEF Council document GEF/C.19/Inf.12 May 7, 2002

[17] See GEF Council document GEF/C.19/Inf.14, May 2, 2002

undertook the Second Overall Performance Study (OPS2) of the GEF in 2001. All the abovementioned documents are available at the GEF website: www.gefweb.org.

Project Performance Report 2001

56. The Project Performance Report 2001 (PPR) presents the results of the Project Implementation Review 2001 (PIR). The report also draws on additional information and insights about the performance of GEF's programs from evaluations and other studies. This broader focus complements the Program Status Review prepared for each operational program, and provides an assessment of important cross-cutting issues and lessons identified from implementation experience.

57. As of June 30, 2001, a total of 519 full and medium-sized projects had been allocated funding in approved GEF work programs for all focal areas. Additionally, 394 enabling activity projects had been approved in biodiversity and climate change. By value, 41 percent of the full and medium-sized projects were in the biological diversity focal area and 36 percent in climate change. Together these two focal areas thus constituted 77 percent of the total GEF funding. The international waters focal area stood for 14 percent, the ozone focal area for five percent, and projects with multiple focal areas for four percent of the total value of GEF funding.

58. During FY2001, 54 full projects, 33 medium-sized projects, and 76 enabling activity projects with total GEF funding for US$505.28 million were approved. Implementation of 18 projects was completed in FY2001, compared with 27 projects in FY2000. Cumulative disbursements for the entire GEF portfolio (including enabling activities and project preparation financing) increased during the FY2001 to US$1,244 million, up from US$1,024 million in the previous fiscal year.

59. The 2001 PIR includes a review of 205 ongoing full and medium-sized projects that had been in implementation for at least one year as of June 30, 2001. This continues a trend of steady increase of the portfolio under implementation, from 171 projects in 2000, 135 projects in 1999, and 119 projects in 1998. As the GEF portfolio continues to mature, more projects come into the PIR. As in previous years, about half of the projects (51 percent or 103 projects) are in the biodiversity focal area. With 63 projects or 31 percent of the total, climate change is the second largest focal area in 2001 PIR.

60. The PIR is a monitoring tool which relies on individual Implementing Agency reporting and rating of project performance. The Implementing Agencies rated their projects on two criteria: implementation progress and likelihood of attaining development/global environment objectives. In order to seek improvements in rating practices, a new category – partially successful – was added to the ratings in 2001. The category, highly unsatisfactory, was dropped as redundant. The "realism" of the ratings system was discussed. The ratings on implementation progress are: highly satisfactory 13%, satisfactory 76%, partially satisfactory 7%, unsatisfactory 3%, and not rated 2%. Ratings on development/global environment objectives were: highly satisfactory 13%, satisfactory 76%, partially satisfactory 6%, unsatisfactory 3% and not rated 2%.

61. The conclusions of the PIR found:

(a) The climate change projects in this PIR include several projects in which replication was an important element of project implementation and seems to have produced significant results. Replication through GEF funded projects mean incorporating elements in projects to promote dissemination and learning so that other actors are encouraged to undertake and/or scale up the results achieved through GEF-supported activities;

(b) Projects demonstrate one or more of the different types of private sector involvement. Projects implemented through the IFC demonstrate how GEF resources can be applied towards reducing "incremental risk" associated with energy efficiency activities, and provide strong examples for the private sector; and

(c) Sound capacity building, often over the longer term involving political, institutional and technical aspects, often lead to projects which have high leverage, replication and influence on policy. While there is evidence of benefits to people and communities under those projects that cater to rural development needs, these experiences have not yet been systematically documented. A review of these issues is planned for fiscal year 2003.

Second Study of GEF's Overall Performance

62. The GEF Council approved a plan for the implementation of the Second Study of GEF's Overall Performance (OPS2) in October 2000. The study was prepared for purposes of the third replenishment of the GEF Trust Fund and the second Assembly of the GEF. The OPS2 was carried out by a fully independent team, and the final report was released on January 25, 2002.

63. The central theme of OPS2 is the assessment of impacts and results seen in the context of the four GEF focal areas of biodiversity, climate change, international waters, and ozone, as well as in land degradation as it relates to these areas. The study also analyzed how GEF policies, institutional structures, and cooperative arrangements have facilitated or impeded results by focusing on four main topics: (a) Operational and Program Results, (b) Effects of GEF Policies on Results, (c) Effects of GEF's Institutional Structure and Procedures on Results, and (d) "Country ownership" and sustainability of results.

64. The GEF Council, at its meeting in May 2002, requested the GEF Secretariat to "submit to the eighth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change *The First Decade of the GEF, Second Overall Performance Study*, as an input to the second review of the financial mechanism which is to be discussed at that meeting..."[18] There were extensive consultations between the OPS2 team and the UNFCCC Secretariat during the review process. Also, the GEF Secretariat and Convention Secretariat have ensured that the findings of OPS2 are shared with the team preparing the Second Review of the Financial Mechanism for the UN Framework Convention on Climate Change.

Evaluation of the Medium-sized Projects

65. During the reporting period, an *Evaluation of the Medium-sized Projects* (MSPs) was undertaken. The review found that it is too early in the implementation of most MSPs to determine their specific impacts on biodiversity conservation, climate change and international waters. The most important impacts to date have been co-financing, scaling up and replication, in addition to positive impacts on government policies with implications for global environmental issues. Engaging a broadened range of partners has generated clear, positive benefits for the GEF agenda. The MSP niche is clearly an important one in the GEF family.

66. The following cross-cutting issues were highlighted specifically during the 2001 performance review:

(a) **Inherent Features of Success in Projects and Dealing with Risk.** Good project design is seen as critical to project success. However, there is a need to identify the features that specifically improve the delivery of global environmental benefits. Securing active participation of all relevant stakeholders is critical to project success. Active participation should be ensured through the entire life of a project. Long-term project objectives should be balanced with meeting some of the immediate needs of the stakeholders. Closely related to active participation and capacity building, is the need for

[18] See Joint Summary of the Chairs, GEF Council Meeting, May 15-17,2002.

effective partnership to ensure project success. The complexity of project design should be reduced to be within the capacity of project management.

(b) **Engaging the Private Sector.** Private sector partnerships and mobilization of additional private funding are seen as increasingly important for GEF as the role and opportunities for the private sector in the environment sector is generally increasing. These types of partnerships enhance the chances of a project to be replicated and can create an appropriate environment for the project to be catalytic. In addition, partnerships created throughout the life of a project can provide greater participation, contribute to sustainability and facilitate vital communication networks and contacts which could not have been established within the usual timeframe of the project.

(c) **Adaptive Management – Changes in Project Design.** It was broadly agreed that within a project's overall and immediate objectives, flexible management in implementation is very desirable, if this is a way to incorporate into the project the context and realities in which the project is operating. Project logical frameworks should not be regarded as static documents. The need for making changes into project design may stem from a variety of sources, including changes in the external environment, as well as faults in original design. Phased approaches to projects are seen as one of the essential modalities to be explored for introducing flexibility into project design and management.

(d) **Replication and Mutual Learning.** The importance of replication and catalytic effects by GEF projects was reaffirmed. The experience, however, shows that the factors and conditions that contribute to these vary between focal areas. Replication has to be consciously designed as a part and parcel of project design and implementation. The replication strategy within a project should be explicit and result in recommendations for supporting activities such as drawing lessons learned and best practice, staff exchanges, communication and dissemination strategies.

ANNEX A: LIST OF REPORTS PREVIOUSLY SUBMITTED BY THE GEF COUNCIL TO THE CONFERENCE OF THE PARTIES TO THE UNFCCC

Report of the Global Environment Facility to the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the Restructured Global Environment Facility (A/AC.237/89, December 14, 1994)

Report of the Global Environment Facility to the Conference of the Parties on the Development of an Operational Strategy and on Initial Activities in the Field of Climate Change (FCCC/CP/1995/4, March 10, 1995)

Report of the Global Environment Facility to the Second Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1996/8, June 27, 1996)

Report of the Global Environment Facility to the Third Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1997/3, October 31, 1997)

Report of the Global Environment Facility to the Fourth Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1998/12, September 29, 1998)

Report of the Global Environment Facility to the Fifth Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1999/3, September 29, 1999)

Report of the Global Environment Facility to the Sixth Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/2000/3, October 11, 2000)

Report of the Global Environment Facility to the Seventh Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/2001/8, October 16, 2001)

ANNEX B: TABLES OF PROJECTS APPROVED IN THE AREA OF CLIMATE CHANGE (JULY 2001 – MAY 2002)

Table 1: Medium and Full-sized Projects*

Country	Project Name	Implementing Agency	GEF Financing (in US$ millions)	Total Financing (in US$ millions)
Global (China, India, Vietnam, Czech Republic**, Slovak Republic**, Hungary**)	Promoting Industrial Energy Efficiency through a Cleaner Production/Environmental Management System Framework	UNEP	0.95	2.72
Global	Global Promotion of Youth-Led Enterprises in Off-Grid Renewable Energy with Applications	World Bank	0.80	1.36
Global	Assessing Technology Needs	UNDP	0.20	0.23
Global (Pacific and Africa)	Capacity Building for Observation Systems for Climate Change	UNDP	1.55	2.60
Regional (Central America, Mexico and Cuba)	Capacity building for Stage II Adaptation to Climate Change	UNDP	3.32	4.90
Regional (Antigua And Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts And Nevis, St. Lucia, St. Vincent and Granadines)	Caribbean: Mainstreaming Adaptation to Climate Change	World Bank	5.35	9.65
Regional (Czech Republic**, Slovak Republic**, Estonia**, Latvia**, Lithuania**)	Commercializing Energy Efficiency Finance (CEEF)	World Bank	11.25	32.10
Regional (Cook Islands, Micronesia, Fiji, Kiribati, Marshall Islands, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands)	Pacific Islands Renewable Energy Programme (PIREP)	UNDP	0.70	0.81
Regional (Europe and CIS)	Capacity-building for Improving the Quality of Greenhouse Gas Inventories	UNDP	2.26	3.26
Argentina	Enabling Activities Leading to the Second National Communication of the Argentine Government to the Conference of the Parties	World Bank	1.14	1.85

Country	Project Name	Implementing Agency	GEF Financing (in US$ millions)	Total Financing (in US$ millions)
Bangladesh	Rural Electrification and Renewable Energy Development	World Bank	8.54	30.94
Burkina Faso	Energy Sector Reform Project	World Bank	3.29	15.59
China	Energy Conservation Project, Phase II	World Bank	26.00	281.20
China	Efficient Utilization of Agricultural Wastes	World Bank/ADB	6.40	77.30
Croatia	Renewable Energy Resources Project	World Bank	6.35	27.78
Ecuador	Renewable Energy for Electricity Generation—Renewable Electrification of the Galapagos Islands	UNDP	4.08	25.39
Hungary**	Energy Efficiency Co-Financing Program 2 (HEECP2)	World Bank	0.70	93.90
Lithuania**	Elimination of Green House Gases in the Manufacturing of Domestic Refrigerators and Freezers at Snaige	UNDP	1.00	2.49
Mexico	Introduction of Climate Friendly Measures in Transport	World Bank	6.13	12.53
Mozambique	Energy Reform and Access Program - Renewable Energy Component Phase I	World Bank	3.18	10.18
Peru	Obtaining Biofuels and Non-wood Cellulose Fiber from Agricultural Residues/Waste	UNDP	1.00	14.28
Philippines	Capacity building to Remove Barriers to Renewable Energy Development	UNDP	5.45	23.77
Philippines	Rural Power (Renewable Energy Component)	World Bank	10.35	36.85
Poland**	Polish Energy Efficiency Motors Programme	UNDP	4.50	22.21
Slovak Republic**	Reducing Greenhouse Gas Emissions through the Use of Biomass Energy in Northwest Slovakia	UNDP	1.00	8.34
South Africa	Pilot Production and	UNDP	0.80	3.65

Country	Project Name	Implementing Agency	GEF Financing (in US$ millions)	Total Financing (in US$ millions)
	Commercial Dissemination of Solar Cookers			
Sri Lanka	Renewable Energy for Rural Economic Development	World Bank	8.00	133.80
Vietnam	Systems Efficiency Improvement, Equitization and Renewables (SEER) Project - Renewables Components	World Bank	4.85	14.35
Total			129.14	894.03

* Please see the Operational Report on the GEF Programs, June 2001, for more detailed project information. The co-financing details of individual projects can be found by accessing the work program on the GEF Website. To determine the appropriate work program, refer to the column marked "WP Entry" in the Operational Report on the GEF Program.

** Annex I countries.

Table 2: Enabling Activities

Country	Project Name	Implementing Agency	GEF Financing (in US$ millions)	Total Financing (in US$ millions)
Global	Building Human and Institutional Capacities to Address Climate Change Issues in 46 Least-Developed Countries	UNDP	0.90	0.90
Albania	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.10	0.10
Algeria	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.10	0.10
Bhutan	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.10	0.10
Cambodia	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.10	0.10
Congo	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.10	0.10
Cote d'Ivoire	Expedited Financing of Climate Change Enabling Activities Part II, Expedited Financing for (interim) Measures for Capacity Building in Priority Areas	UNEP	0.10	0.10
Guatemala	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.10	0.10
Guinea	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.10	0.10
Iran	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.10	0.10
Jordan	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.10	0.10
Lao PDR	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.10	0.10
Malawi	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.1	0.1
Namibia	Enabling Activities for the Preparation of Initial Communication Related to UN Framework Convention on Climate Change (UNFCCC)	UNDP	0.13	0.13
Oman	National Capacity Building to Enable the Sultanate of Oman to Prepare its National Action Plan and First National Communication	UNDP	0.3	0.3

Country	Project Name	Implementing Agency	GEF Financing (in US$ millions)	Total Financing (in US$ millions)
Paraguay	Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	0.10	0.10
Saudi Arabia	Enabling Activities to Support Saudi Arabia in Responding to its Commitments to the United Nations Framework Convention on Climate Change (UNFCCC)	UNDP	0.35	0.35
Total			2.98	2.98

Table 3: Project Preparation Activities*

Country	Project Name	Implementing Agency	GEF Financing (in US$ millions)	Total financing (in US$ millions)
Chile	Santiago's Air Quality and Transport	World Bank	0.35	
Cuba	Generation and Delivery of Renewable Energy Based Modern Energy Services in Cuba: the case of Isla de la Juventud	UNIDO	0.33	
Czech Republic**	Vresova Integrated Gasification of Combined Cycle (IGCC)	World Bank	0.35	
Egypt	Private Sector Wind Power Development	World Bank	0.35	
Ethiopia	Energy Access Project	World Bank	0.28	
Malawi	Energy Access Expansion and Development Project	World Bank	0.29	
Nicaragua	Off-grid Rural Electrification for Development	World Bank	0.35	
Peru	Public Transport Improvement Program in Lima	World Bank	0.35	
Philippines	Electric Cooperative System Loss Reduction	World Bank	0.35	
South Africa	South Africa Wind Energy Programme (SAWEP)	UNDP	0.30	
Uruguay	Energy Efficiency Project	World Bank	0.34	
Vietnam	Demand-Side Management to Energy Efficiency Program	World Bank	0.22	
Vietnam	Promoting Energy Conservation in Small and Medium Scale Enterprises (PECSME)	UNDP	0.33	
Zambia	Renewable Energy Based Electricity Generation for Isolated Mini-grids in Zambia	UNIDO	0.33	
Total			4.52	

* excludes PDF A projects

**Annex I country

ANNEX C: BRIEF DESCRIPTION OF PROJECTS APPROVED DURING THE REPORTING PERIOD

Global

Global Promotion of Youth-Led Enterprises in Off-Grid Renewable Energy (RE)

The Project will focus on promoting the use of RE in off-grid rural communities, while simultaneously developing increased employment opportunities for youth. This will be accomplished through a combination of the global activities of the project complemented by developing business plans for RE in Costa Rica. This project will raise awareness of the climate change impacts and its causes among youth, and will link RE development and youth employment needs

Global (China, India, Vietnam, Czech Republic, Slovak Republic, Hungary)

Promoting Industrial Energy Efficiency through a Cleaner Production/Environmental Management System Framework

The project will reduce the emission of carbon dioxide by improving energy management practices and identifying investments in SMEs through a structured approach, built on and consistent with the Environmental Management System framework embodied in UNEP's Cleaner Production program. Project services are to be delivered through selected National Cleaner Production Centers, drawing on extensive networks in industry and experience in promoting environmental management with a preventive cost-effective focus. The Centers will then be able to provide, on a recurring basis, comprehensive environmental management services to industry that include energy efficiency and energy management components. The extensive networks and professional reputations of the Centers will allow them to reach industrial clients that would otherwise be difficult to reach.

Global (Pacific and Africa)

Capacity Building for Observation Systems for Climate Change

This Project will develop capacity in a significant number of non-Annex I Parties to participate in systematic observation networks to meet the multiple needs of the UNFCCC. The specific short-term objectives are to contribute to the reporting of systematic observation and research needs in the context of non-Annex I National Communications on a voluntary basis and to identify priority capacity-building needs related to participation in systematic observation, such as needs for training, equipment, communications. Capacity will be built to create action plans.

Global

Capacity Building for Observation Systems for Climate Change (Pacific and Africa)

The overall aim of this project is to develop capacity in a significant number of non-Annex I Parties to participate in systematic observation networks to meet the multiple needs of the Convention. The specific short-term objectives are to contribute to the reporting of systematic observation and research needs in the context of non-Annex I National Communications on a voluntary basis and to identify priority capacity-building needs related to participation in systematic observation (e.g., needs for training, equipment, communications, etc). Under this project, capacity will be built to create action plans.

Global

Assessing Technology Needs

The project will develop a practical methodology to provide input to non-Annex I Parties for assessing technology needs in the context of the United Nations Framework Convention on Climate Change (UNFCCC). The project objectives are to assist countries in analyzing priority technology needs, as a basis for developing a portfolio of Environmentally Sound Technology (EST) projects, and programs to facilitate the transfer of, and access to, the EST and know-how. Although the methodology will focus on technologies for mitigation of greenhouse gas emissions, the project will also draw lessons that could be applied to assessing technology needs for adaptation to climate change. The project will emphasize how technology transfer can be implemented.

Regional (Antigua And Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts And Nevis, St. Lucia, St. Vincent and Grenadines, Trinidad and Tobago)
Caribbean: Mainstreaming Adaptation to Climate Change
The Project will build capacity in the CARICOM Small Island Developing States (SIDS) to develop Stage II adaptation strategies and measures, according to the UNFCCC and the guidance. This will seek to support the: the mainstreaming of climate change considerations into development planning and sectoral investment projects; appropriate technical and institutional response mechanisms for adaptation to global climate change; and regional climate change monitoring and modeling.

Regional
Capacity-building for Improving the Quality of Greenhouse Gas Inventories (Europe and CIS)
The Project will develop capacity in non-Annex I Parties for improving emission factors and appropriate data through data collection procedures, and by strengthening national institutions to estimate national greenhouse gas emissions. The project will contribute significantly towards the preparation of national inventories for second National Communications.

Regional
Capacity building for Stage II Adaptation to Climate Change (Central America, Mexico and Cuba)
The Project will develop an adaptation policy framework and to prepare national adaptation strategies for a priority sectors that can be integrated into sustainable development plans of the participating countries. The planned adaptation strategies may be used for preparing second UNFCCC National Communications and enable countries to build capacity for Stage II adaptation.

Regional (Cook Islands, Micronesia, Fiji, Kiribati, Marshall Islands, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Vanuatu, Tuvalu, Nauru)
Pacific Islands Renewable Energy (RE) Programme (PIREP)
The Project will facilitate the promotion with the Pacific Island Countries (PICs) of the widespread implementation and ultimately, commercialization of RE Technologies (RETs). The establishment of an enabling environment conducive to the region-wide adoption and commercialization of RETs would involve the design, development and implementation of appropriate policies, strategies and interventions addressing the fiscal, financial, regulatory, market, technical and information barriers to RE development and utilization. .

Regional (Czech Republic, Slovak Republic, Estonia, Latvia, Lithuania)
Commercializing Energy Efficiency Finance (CEEF)
The Project will replicate the Hungary Energy Efficiency Co-financing Program. IFC will employ a contingent financing modality which uses GEF resources to leverage IFC and private capital. The IFC provide partial guarantees, and related credit enhancement mechanisms adapted to country market conditions, supporting the financing of energy efficiency (EE) projects by domestic financial institutions, as well as private project sponsors. IFC will serve as guarantor pursuant to guarantee facility agreements. IFC resources will be combined with GEF funds to support the guarantees.

Argentina
Enabling Activities Leading to the Second National Communication of the Argentine Government to the Conference of the Parties to UNFCCC
This Project will support enabling activities for the preparation of the Second National Communication of the Government of Argentina to the Conference of the Parties to UNFCCC. This project will complement ongoing activities undertaken by the Government of Argentina to implement the UNFCC requirements and will: update and improve GHG National Inventories; strengthen capacities to integrate climate change issues into the planning process and public awareness; assist in the preparation of national mitigation policies and measures, including identification of mitigation opportunities in

transport and electric energy demand side management (DSM); and assess vulnerability and adaptation options.

Bangladesh

Rural Electrification and Renewable Energy Development

This Project will promote solar energy in rural areas implemented by established Bangladeshi institutions. These include, rural electricity cooperatives, community-based organizations, NGOs, micro-finance institutions and the private sector. The project provides a package of interventions to support these institutions in overcoming key market barriers: increasing awareness of Solar Home Systems (SHS) among consumers and providers; building capacity to design, implement and evaluate SHS programs; providing technical and business development support to implementing institutions; introducing standards and programs for testing and certification, financing grants to buy-down capital costs and increase affordability of SHS; promoting electricity as a means for income generation; and identifying mechanisms to promote replication.

Burkina Faso

Energy Sector Reform Project

The Project will enhance the efficiency of the energy sector, increase access of rural areas to modern sources of energy, and improve the management of natural forest resources. The project will foster private sector development and competition in the energy sector, and empower local communities to reduce national carbon emissions by creating an enabling framework for energy conservation and renewable energy.

China

Efficient Utilization of Agricultural Wastes

The Project will promote efficient utilization of agricultural waste products to improve the environment in the rural areas of the four provinces of Henan, Hubei, Jiangxi, and Shanxi, thereby reducing the emission of GHG. It will increase the biogas (energy) supply in remote areas in four provinces; reversing environmental degradation; decreasing the consumption of biomass resources; improving air quality; reducing the use of chemical fertilizers as they are gradually replaced by organic fertilizers from the biogas digesters; improving micronutrients in the soil profile; and lowering household costs for energy.

China

Energy Conservation Project (EMC), Phase II

The Project will replicate the experience of phase I. It will support the development of new EMCs in China by strengthening a EMC Service Group which is expected to develop into a self-sustaining EMC Association and by establishing a Guarantee Fund to provide partial risk guarantees to local financial institutions which lend to the EMCs.

Croatia

Renewable Energy (RE) Resources Project

The Project will develop a policy framework and financing vehicles for renewable energy, including policy development, resource assessment, a national RE fund, regional energy centers, training for policy development, TA for entrepreneurs, TA for local planning and permitting, and small hydro, wind, and biomass demonstration projects. Initial financing design suggests possible mechanisms for GEF support: contingent grants for pre-feasibility studies; equity investments for RE projects as part of a national RE fund; and performance grants.

Ecuador

Renewable Energy for Electricity Generation--Renewable Electrification of the Galapagos Islands

The Project will reduce energy-related CO2 emissions by introducing PV and wind energy as a substitute for fossil fuel for electricity generation. In addition, the project will substantially decrease the volume of diesel annually shipped the Galapagos, thereby reducing the environmental threat of an oil spill to coastal biodiversity. The activities proposed in the project are designed to remove barriers to the development and utilization of renewable energy for electricity generation, initially in Galapagos but eventually replicated on mainland Ecuador.

Hungary

Energy Efficiency Co-Financing Program 2 (HEECP2)

The Project will Reduce Hungary's emissions of greenhouse gases (short-term measure) by improving energy efficiency for end-user applications. Create local capacity to fund further energy efficiency projects and applications. Encourage the replication of the project elsewhere and raise public awareness about energy efficiency, as part of the country's climate change response strategy.

Lithuania

Elimin ıtion of Green House Gases in the Manufacturing of Domestic Refrigerators and Freezers at Snaige

The Project will eliminate hydro-fluorocarbons (HFCs) in the manufacture of domestic refrigerators; and promote production of energy efficient home refrigerators without making use of ozone depleting substances.

Mexico

Introduction of Climate Friendly Measures in Transport

The Project will contribute to the development of policies and measures that will assist in a long-term modal shift from small inefficient vehicles to climate friendly, more efficient and less polluting, less carbon-intensive forms of transport in Mexico City Metropolitan Area (MCMA).

Mozambique

Energy Reform and Access Program - Renewable Energy Component Phase I

The Project will accelerate commercial use of electricity for economic growth and improved quality of life in underserved areas; strengthen capacity to expand the energy sector for both domestic and export markets. Phase I has three components: grid electrification and power sector reforms; renewable energy promotion; and, institutional strengthening and capacity building. It is expected that Phase I activities will provide the framework for rapid and sustained removal of barriers to the acceptance and financing of renewable based electricity supply options for both retail and grid-connected uses. Phase II would scale-up the investments from Phase I, using selected delivery mechanisms, including implementation of the adopted private participation options for Electricité de Mozambique.

Peru

Obtaining Bio-fuels and Non-wood Cellulose Fiber from Agricultural Residues/Waste

The Project will increasing the production and use of new fuel from sugarcane trash and other agricultural and forestry residues, and to incorporate it into the national energy balance. The expected project outcome is one where utilisation of bio-fuels (sugarcane trash) as a commercial fuel for heat – as well as for combined heat and power generation - has become financially self-sustainable and commercially competitive in the energy market. The project will also result in a more competitive sugar industry by lowering the energy costs, increasing the sugar output and introducing new revenues in the form of power sales and by-products (cellulose) . This will increase the export capacity of the industry, which together with decreasing external demand on sugar, cellulose goods and fuel imports will have a positive impact on Peru's balance of payments.

Philippines
Rural Power (Renewable Energy Component)
The purpose of this PDF activity is to directly assist preparation of a specific investment project component in electrification of off-grid rural areas in the Philippines, on a least cost basis. It is expected to include use of appropriate new and renewable energy (NRE) technologies and contribute to the mitigation of greenhouse gas (GHG) emissions. The activity will reduce the market barriers to public and private investment in NRE in off-grid areas by providing to government planners and potential private participants a detailed comprehensive analysis of key issues and options in investment decision making, technology choices, service delivery options and finance mechanisms.

Poland
Polish Energy Efficiency Motors Program
The Project will overcome barriers to increased market penetration of energy efficient motors and related efficiency improvements in electric motor systems. It has four main activities; first major activity focuses on building capacity and raising awareness for energy efficient electric motor systems; second major activity involves demonstration projects to establish and showcase the technical and economic benefits of energy efficient motor systems, and increase awareness; third major activity stimulates market transformation and competition through a financial incentive mechanism, supported by targeted awareness raising activities; fourth, a policy institutional and information instrument was identified as a separate component because it addresses a different target group than the other components and requires a different approach on a national government level.

Slovak Republic
Reducing Greenhouse Gas Emissions through the Use of Biomass Energy in Northwest Slovakia
The Project will create a commercial wood pellet market in the region by constructing a Central Processing Unit for pellet production from wood waste; provide a replicable, economically viable; environmentally friendly source of heat in schools and public buildings by replacing coal/coke boilers with pellet-fired boilers; and to replicate the project in neighboring municipalities and other regions of Slovakia.

South Africa
Pilot Production and Commercial Dissemination of Solar Cookers
The Project will remove barriers that currently hamper the local manufacturing, retailing and provision of after sales services for solar cookers. Remove awareness and information barriers existing with end-users in the target areas and other stakeholders involved in the further development of solar cooking and baking.

Sri Lanka
Renewable Energy for Rural Economic Development
This Project follows on from the first Energy Services Delivery project. The first project (ending December 2002), targeted solar home systems, grid-based small hydro, small hydro village mini-grids, and energy efficiency, and has been one of the most successful projects in the GEF portfolio to date. The second project continues to expand markets for solar home systems, adds biomass power generation and off-grid wind. It also emphasizes; new approaches to income generation and social services explicitly targeting poverty reduction; exit strategy and subsidy design that maximizes sustainability and replication after the project.

Philippines
Capacity Building to Remove Barriers to Renewable Energy (RE) Development
This Project will remove key market, policy, technical and financial barriers to RE. Components include: strengthening the capacity of government to enact and implement sound RE policies; providing

information for audiences to build an RE market; creating a "one-stop-shop" market service center for preparing and promoting RE; increasing coordination among organizations concerned with RE; assisting the market penetration of RE in remote, off-grid communities by providing incentives for innovative market delivery and financing mechanisms; improving the quality of RE technologies. The project complements ongoing RE and rural electrification.

Vietnam

Systems Efficiency Improvement, Equitization and Renewables (SEER) Project - Renewables Components

The Project will support a long-term programmatic approach to develop renewable energy according to the country's Renewable Energy (RE) Action Plan. The project supports Phase I of the REAP, building RE awareness, demand, and capacity. The project will: build institutional capacity at national, provincial and district levels to implement the Action Plan and develop the necessary policies and regulatory frameworks; facilitate regulatory frameworks that support independent small power producers for small hydro power and other RE generation; establish a fund to finance and support rural community-based electric cooperatives; support development and application of pico-hydro technology; development RE markets and private businesses

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